

Feed efficiency is defined as the amount of feed used by the Lot since placement divided by the saleable weight gain achieved by the Lot.

Saleable weight gain will include all weight sold for which value has been received. Weight of the hogs shall be determined on the buyer's scales.

Example:

Actual FE = 3.00; 178,000 pounds gained; 900 Head finished

- 1) $(3.05 - 3.00) \times \$0.025 = \0.00125
- 2) $\$0.00125 + \$0.00375 = \$0.005 = \text{Incentive/pound gained}$
- 3) Total incentive = $\$0.005 \times 178,000 = \890.00

b) Weight Gain

If annualized weight gain for a Lot exceeds 490 pounds per head of capacity, Producer will be paid an incentive based on the following formula:

$$(((\text{Total pounds sold} - \text{Total pounds placed})) / (\text{Days Open} \times 365) - (490 \times \text{capacity})) \times \$0.007$$

Days open is defined as total days from the day first pigs are placed in Lot through the day last pig is removed from Lot. Capacity is defined under description of Facilities in Exhibit A.

Example:

178,000 pounds gained; Lot open 130 days; base
440,000 pounds annualized weight gain base
 $178,000 / 130 \times 365 = 499,769 = \text{Annualized Weight Gain}$
Incentive Payment = $(499,769 - 440,000) \times \$0.007 = \$418.38$

c) Premium Production Incentive

If annualized weight gain exceeds 535 pounds per head of capacity and feed efficiency is less than 2.90 for the Lot, Producer will be paid \$.003 per pound gained in addition to the Feed Efficiency and Weight Gain incentives.

Incentive payments shall be postmarked within 14 days after the Lot has been closed.

Producer understands and agrees that LOL does not warrant any specific level of performance. Any performance levels utilized in these examples are for purposes of illustration only.

- C. Adjustment for Multiple-Sourced Lots: LOL will pay Producer \$.15 per head delivered for lots in which pigs were delivered from more than one source. Payment shall be postmarked within 14 days after the lot has been closed.